

# TradeScope

For ThetaTrader Clients

March 7, 2018

## Market Trend Summary

Short Term Moving Averages:	Bearish
Medium-Term Moving Averages:	Bullish
Long-Term Moving Averages:	Bullish

## Market Oscillators

Relative Strength Index (Daily):	Neutral
MACD (Weekly):	Bearish



Daily S&P 500 futures chart with 14-period RSI, also 9-day (red line) and 26-day (green line) Exponential Moving Averages have crossed over to the upside (bullish)



Weekly S&P 500 futures chart with MACD

## Technical Review

**Risk Disclosure:** There is risk of loss in trading futures & options. Seasonal data is presented for informational purposes only. Past results are no guarantee of future results.

The short-term EMA is in bear mode while longer-term EMAs are bullish. The MACD on the weekly S&P 500 chart remains in bearish mode. A neutral RSI reading indicates that the S&P 500 is neither overbought nor oversold. As a result, we maintain a bearish directional bias.

The next chart is the monthly S&P 500 futures that measures Fibonacci retracement levels for the rally marked by the February 2016 low and the January 2018 high. While there is support around 2622, a 38% Fibonacci retracement measures down to 2465. The 2465 level represents a 14.45% pullback from the all-time high. The 50% Fibonacci level = 2338 and the 62% Fibonacci level = 2212. We're not suggesting the S&P 500 cannot rally from here, but in the big picture, after a 2-year 1,000-point one-way rally in the S&P 500, the S&P 500 has plenty of room for a pullback.



### Market Outlook

S&P 500 futures got a boost overnight on news that North Korea is willing to discuss denuclearization. However, S&P 500 futures set their day session high on the opening bell and chopped sideways from there. North Korea has a history of using talks as a delay tactic, so the market response was understandably cautious. In a joint press conference with Sweden's Prime Minister, President Trump hailed the North Korean news as a positive development but followed that up by saying that the US was prepared to "go hard" in either direction. On tariffs, the President sounded unrelenting on his intent to follow through on his threat to impose tariffs unless the United States can negotiate more favorable trade deals with its trading partners. Amid all this, the 10-year yield was virtually unchanged at 2.885%.

Barring another surprise headline, the ADP employment report as well as the Fed's beige book report will be the focus on Wednesday. Traders are gearing up for Friday's February employment data and its potential impact on monetary policy. A 25-basis point hike in the Federal Funds rate is a virtual certainty when the next FOMC meeting concludes on March 21.

### Trade Suggestions

You can see from the daily chart on page 1 that the daily ranges for the S&P 500 are now much bigger than before the market peaked on January 29. Given our belief that > 1% daily moves up and down are likely to be more common than not going forward, we recommend buying Iron Condors.

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